

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 3783
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USLO PEKING
AMCONSUL HONG KONG

C O N F I D E N T I A L TOKYO 19647

E.O. 11652: GDS
TAGS: JA KN ECON
SUBJECT: JAPAN-DPRK DEBT PROBLEMS

1. IN RECENT CONVERSATIONS WITH EMBOFF, NEW FONOFF NE ASIA
DIVDIR SATO AND HIS PREDECESSOR ENDO STATED THAT
DURING PAST WEEK MANAGING DIRECTOR OF JAPAN-DPRK TRADE
ASSOCIATION SADA O MURAKAMI HAD RECEIVED CABLED INVITATION
TO VISIT PYONGYANG IN DECEMBER ALONG WITH REPRESENTATIVES
OF JAPANESE BANKS INVOLVED IN NORTH KOREA TRADE. ACCORDING
TO SATO AND ENDO, MURAKAMI EXPECTED THAT NORTH KOREANS,
WHO HAVE FAILED TO MAKE FULL INTEREST PAYMENTS TO JAPANESE
IN 1977 UNDER DEBT DEFERRAL AGREEMENT NEGOTIATED LAST YEAR,
WOULD NOW SEEK SOME FORM OF RESCHEDULING. MURAKAMI WAS
HAVING CONSIDERABLE DIFFICULTY IN DEVELOPING CONSENSUS
AMONG TRADE ASSOCIATION PARTICIPANTS ON ACCEPTANCE OF
INVITATION AND IN ANY EVENT, DOUBTED TRIP BEFORE JANUARY
WOULD BE POSSIBLE.

2. ENDO NOTED THAT JAPANESE BUSINESSMEN AND BANKERS
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INVOLVED IN NORTH KOREAN TRADE WERE INCREASINGLY
DISTURBED BY REPEATED NORTH KOREAN FAILURE TO MEET
EVEN MINIMAL INTEREST PAYMENTS. DPRK SHORTFALL IN
REPAYMENT OF INTEREST FOR 1977 WAS ALMOST 2 BILLION
YEN (APPROXIMATELY US \$4 MILLION). QUESTION IN
JAPANESE MINDS, HE NOTED, WAS NO LONGER DPRK'S
ABILITY TO PAY BUT RATHER ITS POLITICAL WILLINGNESS

TO DO SO. PARTICULARLY ANNOYING TO JAPANESE
CREDITORS WAS FACT THAT AT SAME TIME AS NORTH
KOREANS WERE PLEADING POVERTY TO JAPANESE COMPANIES,
THEY WERE CONTINUING CASH-IN-ADVANCE PURCHASES OF
LUXURY ITEMS THROUGH CHOSEN SOREN DUMMY BUSINESSES.
LATEST CASE IN POINT WAS RECENT NORTH KOREAN PURCHASE
OF ARTIFICIAL TURF, APPARENTLY FOR PYONGYANG STADIUM.
ENDO SUSPECTED FRUSTRATION OF INDIVIDUAL BUSINESSMEN
WAS NEARING POINT OF OVERCOMING LONG-STANDING
RELUCTANCE TO REQUEST PAYMENT OF JAPANESE EXPORT
INSURANCE, WHICH WOULD OFFICIALLY PUT DPRK IN BAKRUPT
CATEGORY FOR JAPANESE TRADE PURPOSES. IMPORTANT
FACTOR IN ANY SUCH JAPANESE DECISION, ENDO WENT ON,
WOULD BE WHETHER DPRK WOULD MAKE UP 1977 INTEREST
SHORTFALL IN NEXT PAYMENT SCHEDULED FOR END OF
DECEMBER.
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